

### **Lesson: *Saving and Investing – The Fundamentals***

*Saving and Investing – The Fundamentals* is a 60-minute interactive lesson. This lesson introduces learners to saving and investing terminology, types of saving and investing accounts in terms of risk, liquidity, rate of return, and types of retirement accounts in terms of contribution limits, taxes, and withdrawals.

#### **Learning Objectives**

At the conclusion of this lesson, learners should be able to explain key differences between saving and investing and between a Traditional IRA and a Roth IRA.

#### **Enabling learning objectives:**

- Describe saving and investing in terms of risk, liquidity, and returns
- Describe the difference between a Traditional and Roth IRA in terms of contribution limits, withdrawals, and taxes
- Identify saving and investing information and resources

#### **Learning Activities**

This lesson contains the following activities:

- What would you do with an extra \$50/week? (2-minute discussion)
- Key Terms (2 to 3-minute group matching activity)
- What Are Mutual Funds? – optional video (2 minutes)
- What I Know (1 to 2-minute optional personal reflection)
- Financial Websites and Calculators (3 to 5-minute demonstration)

#### **Content Outline**

1. Welcome and Introduction (4 minutes)
  - Welcome
  - Facilitator Introduction
  - Agenda
  - What Would You Do With An Extra \$50/Week?
2. Saving and Investing Fundamentals (10 minutes)
  - Activity: Key Terms
  - Saving vs. Investing
    - Key Differences
    - Time Frames
    - Risks
    - Liquidity
    - Rate of Return

- Types of Savings Accounts
  - Deposit Accounts
  - Money Market Savings
  - Certificates of Deposit (CD)
  - Emergency Savings
- Investing Options
  - Bonds
  - Stocks
  - Mutual Funds
    - What Are Mutual Funds? (optional video)

### 3. Investment Accounts (30 minutes)

- Activity: What I Know
- The Fundamentals
  - Qualified vs. Non-Qualified Account
    - Tax Treatment
    - Investment Limits
    - Taxable Earnings
  - Account Types
    - Brokerage Account
    - Retirement Account
      - Individual Retirement Account (IRA)
      - Employer Retirement Plan
    - Key Concepts
      - Contribution Limits
      - Vesting
      - Withdrawals
- Retirement Accounts
  - Individual Retirement Arrangement (IRA)
    - Annual Contributions
    - Withdrawals
  - Roth IRA
    - Annual Contributions
    - Withdrawals
  - 401(k)
    - Annual Contributions
    - Withdrawals
  - Thrift Savings Plan (TSP)
    - Annual Contributions
    - Vesting
    - Withdrawals

### **4. Resources (14 minutes)**

- Websites
  - Military OneSource
  - Consumer Financial Protection Bureau (CFPB)
  - Office of Financial Readiness (FINRED)
  - Thrift Savings Plan
- Financial Calculators
  - Investor.gov
- Additional Support Resources
  - Personal Financial Manager (PFM)
  - Personal Financial Counselor (PFC)

### **5. Conclusion (2 minutes)**

- Summary and Review
- Final Questions

### **Training Materials**

A laptop, projector, and screen are needed to project the PowerPoint presentation and videos, if applicable, during the training session. You will also need the following items to conduct the session:

- PowerPoint Presentation: *Saving and Investing – The Fundamentals*
- Handouts:
  - *Basic Investing*  
[finred.usalearning.gov/assets/downloads/USAA-EF%20TC%20Handout-Basic%20Investing%201220E1R1%20.pdf](https://finred.usalearning.gov/assets/downloads/USAA-EF%20TC%20Handout-Basic%20Investing%201220E1R1%20.pdf)
  - *Saving and Investing Terms*
  - *The Thrift Savings Plan: Wealth-Building Made Easy* (optional)  
[finred.usalearning.gov/assets/downloads/MDS%20Thrift%20Savings%20Plan.pdf](https://finred.usalearning.gov/assets/downloads/MDS%20Thrift%20Savings%20Plan.pdf)
- Video (optional)
  - *What is a Mutual Fund?*  
[finred.usalearning.gov/assets/video/saving/investing-microlearning/invest-fund-5/normal/FINRED-InvestmentFundamentals5-V-14Apr2021.mp4](https://finred.usalearning.gov/assets/video/saving/investing-microlearning/invest-fund-5/normal/FINRED-InvestmentFundamentals5-V-14Apr2021.mp4)
- Blank paper
- Pencils or pens
- Large chart paper or whiteboard (optional)
- Markers (optional)
- Internet connection (optional)

### Using This Instructor Guide

The presenter is the most important part of delivering information. Make sure to familiarize yourself with the content in the lesson so that you can effectively discuss each key point during the training session. Review the material and practice delivering the content ahead of time in order to feel comfortable covering the material in your own words.

To use this Instructor Guide, review its various parts and components below.

The **Discussion Points** section contains the key points you must present in the training. The information should be presented in the order provided. Use the discussion points as a lesson outline. Avoid reading it word-for-word.

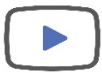
An **Instructor Note** provides guidance for the instructor in presenting the discussion points. This section also includes specific instructions on using the media, activities for learners, and references to any other documents or content.



This symbol indicates a handout is associated with the content.



This symbol indicates a discussion activity is associated with the content.



This symbol indicates a video is associated with the content.

### Course Preparation

Being prepared for training promotes organization, projects a positive image, and reduces stress. To ensure you are prepared, review the following:

- *Saving and Investing – The Fundamentals* PowerPoint Presentation
- References
  - DoD Instruction 1342.22, *Military Family Readiness*
  - DoD Instruction 1322.34, *Financial Readiness of Service Members*
- Resources
  - Consumer Financial Protection Bureau (CFPB) – Planning for Retirement  
[www.consumerfinance.gov/consumer-tools/retirement/](http://www.consumerfinance.gov/consumer-tools/retirement/)
  - Investor.gov
    - Compound Interest Calculator  
[www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator](http://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator)

## ***Saving and Investing – The Fundamentals***

- Savings Goal Calculator  
[www.investor.gov/financial-tools-calculators/calculators/savings-goal-calculator](http://www.investor.gov/financial-tools-calculators/calculators/savings-goal-calculator)
- Military OneSource
  - Personal Financial Manager locator  
[installations.militaryonesource.mil/](http://installations.militaryonesource.mil/)
  - Retirement Planning  
[www.militaryonesource.mil/financial-legal/personal-finance/retirement-planning/](http://www.militaryonesource.mil/financial-legal/personal-finance/retirement-planning/)
- Office of Financial Readiness (FINRED)
  - Personal Financial Counselor (PFC) locator:  
[finred.usalearning.gov/pfcMap](http://finred.usalearning.gov/pfcMap)
  - Saving and Investing resources  
[finred.usalearning.gov/Saving](http://finred.usalearning.gov/Saving)
- Thrift Savings Plan  
[www.tsp.gov/](http://www.tsp.gov/)

**Instructor Note:** Prior to the start of the session, print enough copies of each handout so each learner has a copy.

**Personalize your lesson.** Use the white space on the left side of the page to add your own notes and prompts for discussions.

You can fill it with:

- Subject matter
- Detailed/technical information
- Instructional strategies and methods
- Personal experiences
- Examples and analogies



Slide 1

## Discussion Points

### 1. Welcome and Introduction

**Instructor Note:** Display slide 1.

Welcome learners to the *Saving and Investing – The Fundamentals* lesson.

Gain learner attention and interest:

- Share a short story about the lesson topic
- Share a surprising fact about the lesson's topic(s)
- Ask learners to write down one thing they hope to learn from attending the training today

### Facilitator Introduction

Introduce yourself by providing:

- Your name
- Your experience with the lesson topic, financial counseling experience, and/or professional/educational background

**Instructor Note:** Read the disclaimer to the group.

**Disclaimer:** *The information presented in this lesson does not constitute legal, tax, investment, financial, or other advice. This lesson is intended as an informational resource to assist you in identifying or exploring resources and options for managing your personal financial situation.*



Slide 2

### Agenda

**Instructor Note:** Display slide 2. Briefly introduce the lesson topics.

- Saving and Investing Fundamentals
- Investment Accounts
- Resources

**Say:** In addition to the topics shown here, you will complete a couple of activities. The activities are designed to familiarize you with key terms associated with saving and investing and identify what you already know about investment accounts.



Slide 3



### What would you do with an extra \$50/week?

**Instructor Note:** Display slide 3.

**Purpose:** The goal of this discussion is to engage learners in the session by asking them what they would do if they unexpectedly had an extra \$50 each week.

**Time:** 2 minutes

**Materials:** None

**Process:**

1. Ask the group what they would do if they had an extra \$50 a week in income. Would they save it, invest it, or spend it and why would they do so?
2. Allow learners time to share their ideas and reasons.

[End activity]



Slide 4



## 2. Saving and Investing Fundamentals

**Instructor Note:** Display slide 4. Distribute the *Basic Investing* handout.

**Say:** In this topic we will look at key terms and concepts associated with saving and investing.

### Activity: Key Terms

**Instructor Note:** Display slide 5. This slide uses animations—refer to Step 4 below.

**Purpose:** The goal of this activity is for learners to share with the group what they think the definition is for key saving and investing terms.

**Time:** 2-3 minutes

**Materials:** *Saving and Investing Terms* handout

**Process:**

1. Tell the group that you are going to test their knowledge of some key saving and investing terms.
2. Ask for volunteers to provide a definition for the first term shown on the slide. The terms are:
  - a. Compounding



Slide 5



- b. Diversification
- c. Dividend
- d. Interest
- e. Liquidity
- f. Rate of Return
- g. Risk

3. Allow learners a couple moments to share their definitions.
4. Click to reveal the term's definition.
5. Continue steps 2 and 3 until you have revealed all of the definitions.
6. Distribute the *Saving and Investing Terms* handout. Tell the group that the handout contains the definitions they see on the slide and definitions for other terms you will use during the session.

[End activity]



Slide 6

### Saving vs. Investing

**Instructor Note:** Display slide 6.

**Say:** You may think “saving” and “investing” are the same thing, but they are not. Knowing the differences between them can help you make financial decisions that meet your goals and needs. Key differences include time frames, risks, liquidity, and returns. Let’s look at each of these differences.

#### Saving

- Refers to the act of accumulating money in an account that has little or no risk of losing value
- A safe way to accumulate money for short-term goals or expenses
- Funds are easily liquidated—withdraw funds from account quickly without fees or penalties
- Rate of return (yield) is typically low

#### Investing

- Refers to the process of using money to purchase assets with potential to increase in value over time
- A way to take advantage of compound-interest and time to accumulate money for long-term goals
- Provides potential to earn greater returns than by keeping money in safer alternatives
- Potential for higher returns comes with risk of losing money invested
- Can liquidate funds from account, but it takes time





Slide 7

### Types of Savings Accounts

**Instructor Note:** Display slide 7. The slide uses animations. Click three times to reveal the text in the table.

**Say:** When deciding which type of account will meet your savings goals you want to evaluate the options by considering safety or risk, liquidity, and rate of return or yield.

Let's look at three types of saving options:

- Deposit Accounts
- Money Market Savings
- Certificates of Deposit (CD)

### Deposit Accounts

**Say:** Deposit accounts are usually held at banks or credit unions. General savings accounts are probably the most common type of deposit account people use to save money.

#### *Risk*

- Generally insured by Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) up to \$250,000 per depositor, per insured bank, per each account ownership category

#### *Liquidity*

- Can withdraw funds at any time

#### *Rate of Return*

- Usually pay low interest, but can access the money when you need it

### Money Market Savings

**Say:** A money market savings account is offered by most banks and credit unions.

#### *Risk*

- Insured by FDIC or NCUA

#### *Liquidity*

- Offers easy access to funds but withdrawals may be limited
- May have ability to write checks but only a limited number of checks

### Rate of Return

- Normally offers higher interest rate than general deposit accounts but may have to keep higher minimum balance (amount differs from institution to institution)
- May have minimum balance requirement
- If balance drops below minimum, account may stop earning interest and/or you are charged a fee

### Certificate of Deposit (CD)

**Say:** A Certificate of Deposit, or CD, is a savings certificate issued by a bank or credit union. There may be a minimum deposit required.

### Risk

- Insured by FDIC or NCUA

### Liquidity

- Fixed maturity date often ranging from one month to five years, after CD is first issued

### Rate of Return

- Higher than deposit or money market accounts because the money is “locked” away for a specified time
- Fixed interest rate until maturity date, some have a variable rate
- Generally, the longer the term, the higher the yield
- At maturity receive amount deposited plus interest
- If cashed out before maturity date, typically pay early withdrawal penalty or may not receive a portion of the interest earned



Slide 8

## Emergency Savings

**Instructor Note:** Display slide 8.

**Ask:** Why is it important to have an emergency fund, and what types of expenses can come up unexpectedly? Do you know how much is enough when it comes to emergency savings?

**Say:** Emergencies happen and having money set aside to cover these situations can help reduce stress and avoid going into debt to pay for the unexpected.

- Safety and liquidity are most important; have to sacrifice some rate of return to ensure quick and easy access to the money when you need it.
- Financial experts recommended 3–6 months of living expenses in an emergency fund.

- Tip: Periodically review emergency savings needs especially when preparing for anticipated life events such as transitioning out of the service or relocating.



Slide 9

### Investing Options

**Instructor Note:** Display slide 9. The slide uses animations and a hyperlink to a video about mutual funds. Click two times to reveal the text about bonds and stocks in the table. There are two options for presenting the information about mutual funds. See the **Instructor Note** in the **Mutual Funds** section for details about each option.

**Say:** Now let's look at types of investments: bonds, stocks, and mutual funds. Again, we will look at them in terms of risk, liquidity, and rate of return.

**Instructor Note:** Ask the group what they think the difference stocks and bonds is. Allow learners a few moments to share their ideas.

### Bonds

**Say:** When you purchase a bond from an issuer, you are basically loaning money to a company, or federal or local government, in return for being paid interest for their use of your money during a specified period of time, generally a few months to 30 years.

#### Risk

- Government bonds are low risk; they are backed by full faith and credit of U.S. government
- Municipal bonds backed by taxing authority of underlying municipality
- Corporate bonds are higher risk than government bonds
  - Corporate risk is the risk that the company will default on the bond

#### Liquidity

- Can sell bond before maturity date
- Can cash U.S. Savings Bond after one year but lose last three months of interest if cash in before five years have elapsed

#### Rate of Return

- If held to maturity, issuer guarantees original purchase amount plus interest
  - Corporate bonds pay higher interest rate than government bonds

### Stocks

**Say:** When you purchase stock in a company, you are buying part ownership in that company.

#### Risk

- Stock ownership does not guarantee you will make money.
- If company does poorly and stock price falls, you may lose some or all of the investment.

#### Liquidity

- Can sell stock any time

#### Rate of Return

- If company does well, might be able to sell stock for a profit
- May be paid a dividend—a distribution of some profits to shareholders
- Nothing is guaranteed



Slide 9

### Mutual Funds

**Instructor Note:** Continue to display slide 9. There are two options for presenting the information about mutual funds.

- Play the *What Are Mutual Funds?* video followed by a brief description of mutual funds in terms of risk, liquidity, and rate of return.
- Present the mutual fund information that comes after the **[End activity]** text below.



#### What Are Mutual Funds? (video)

**Instructor Note:** If you have an internet connection and chose to show the video, click the screen icon in the lower right corner of the slide. You can also play the video by selecting the link below.

**Preparation:** Prior to the start of the training session, test the video to ensure that it plays. Adjust the audio volume so it can be heard at the back of the room.

**Purpose:** The video briefly explains how mutual funds and index funds work.

**Time:** 2 minutes

**Materials:** *What is a Mutual Fund?* video (runtime: 1 minute)

[finred.usalearning.gov/assets/video/saving/investing-microlearning/invest-fund-5/normal/FINRED-InvestmentFundamentals5-V-14Apr2021.mp4](https://finred.usalearning.gov/assets/video/saving/investing-microlearning/invest-fund-5/normal/FINRED-InvestmentFundamentals5-V-14Apr2021.mp4)

### Process:

1. Before you start the video, tell learners that this video contains information about how mutual funds work.
2. At the end of the video, ask learners if they have any questions about the video and mutual funds in general.
3. Click to reveal the information in the table about mutual funds and review mutual funds in terms of risk, liquidity, and rate of return.

*Risk:* Mutual funds are considered “safer” investments than single stocks because the portfolio is diversified, with the risk of loss of value spread across many financial instruments.

*Liquidity:* You can sell shares at any time.

*Rate of Return:* The projected rate of return depends on how the holdings in the portfolio perform. Nothing is guaranteed. The highest projected returns are associated with highest risk.

### [End activity]



Slide 9

## Understanding Mutual Funds (presentation)

**Instructor Note:** If you do not show the video present the details below instead.

**Say:** A mutual fund pools money from many investors to purchase stocks and/or bonds. With mutual fund investing, you pick a fund or funds that best match your long-term goals and risk tolerance.

- Mutual funds are an alternative to selecting individual stocks or bonds, and when compared to buying individual securities, mutual funds are easier to diversify.
- The holdings of a mutual fund are called a “portfolio.” When you purchase a mutual fund, you are pooling your money with other investors to purchase a portfolio of securities.
- Mutual funds typically hold a combination of securities like stocks and bonds, and are administered by fund managers, who invest the funds on your behalf for a fee which is paid from the fund.
- Fund Managers:
  - Do the research and pick the investments.
  - Use their experience and expertise to make the day-to-day investment decisions in line with the stated investment objective of the fund.
  - Invests in multiple individual securities and spreads out the risk through diversifying the fund portfolio.

- Many mutual funds require a minimum deposit that varies between funds. Investors in mutual funds should review the mutual fund prospectus prior to investing. A prospectus contains information about fund objective, fees, risk, investment strategy, and business rules.

**Instructor Note:** Click to reveal the information in the table for mutual funds.

**Say:** Let's look at mutual funds in terms of risk, liquidity, and rate of return.

### Risk

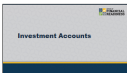
- Mutual funds are considered “safer” investments than single stocks because the portfolio is diversified, with the risk of loss of value spread across many securities.

### Liquidity

- Can sell shares at any time

### Rate of Return

- Projected rate of return depends on how holdings in portfolio perform
- Nothing is guaranteed
- Highest projected returns are associated with highest risk



Slide 10

## 3. Investment Accounts

**Instructor Note:** Display slide 10.

**Say:** In this section we will look at investment accounts; the fundamentals of how they operate and the differences between account types.



Slide 11

### Activity: What I Know

**Instructor Note:** Display slide 11. Distribute paper and pencils or pens. Learners may also use the back of the handouts you previously distributed for the activity.

**Purpose:** The purpose of this activity is to have the learners write down what they know about investment accounts, including types of retirement accounts and then add to their notes during the rest of the session.

**Time:** 1–2 minutes

### Process:

1. Instruct the group to write down everything they know about investing in terms of:
  - a. Types of accounts money can be invested in
  - b. The impact of taxes on investments
  - c. Contribution limits to retirement accounts

2. **Say:** As you write down your information, leave space on your piece of paper to add notes once we resume the discussion.
3. Give the group one or two minutes to complete the activity.

[End activity]



Slide 12

### The Fundamentals

**Instructor Note:** Display slide 12. This slide uses animations. Watch for instructions on when to click to display each bullet below.

**Say:** Investment accounts can be classified as **qualified** or **non-qualified**. The key difference between the two is the tax treatment but there are other differences.

In a **qualified account** the money invested receives preferential tax treatment.

- Monies invested are pre-tax dollars
- Investment and earnings grow tax deferred until withdrawn
- IRS limits amount of money you can invest
- Withdrawals are usually taxed as income

In a **non-qualified account** money invested does not receive preferential tax treatment.

- Monies invested are after-tax dollars
- Pay tax on investment and earnings every year
- No limit on amount of money you can invest
- Tax treatment of withdrawals depends on how long you hold the shares (short term versus long term capital gain); funds may pay capital gains or income annually

### Account Types

**Instructor Note:** Click to reveal Account Types and Brokerage Account bullets.

**Say:** Two account types in which stocks, bonds, and mutual funds are typically held are brokerage accounts and retirement accounts.

- Retirement accounts are qualified accounts, meaning you pay no taxes on any earnings within the account. You could owe taxes when you withdraw the money; we will talk about that in a little bit.
- Nonretirement brokerage accounts (also called taxable brokerage accounts) are non-qualified accounts, meaning the account does not receive preferential tax treatment. Earnings will be taxed.

### Brokerage Account

- Can set up as individual ownership or joint ownership, meaning can have your name on account as well as someone else, like a spouse
- Can hold a wide array of investments, depending on financial institution where the account is opened
- Can buy and sell stocks, bonds, and mutual funds in one account
  - Can do this yourself, or in certain brokerage accounts, can pay a fee to have a professional do your investing
- Pay tax on earnings when received, not when withdrawn
  - Earnings can be capital gains, dividends, or interest depending on type of securities held in account

**Instructor Note:** A ‘street’ account is when the investor holds an account directly with the mutual fund company. In a brokerage account the investment (i.e., mutual funds) are held by the brokerage company in the name of the investor.

### Retirement Account

**Instructor Note:** Be sure you know the IRS contribution limits for each type of retirement account for the current year. Click to reveal Retirement Account bullet.

**Say:** Setting up and contributing to a retirement account is your responsibility. The amount you, and if eligible, your employer have contributed to your account during your working years and the earnings it has accumulated over time can be substantial. The key is to start early.

You may decide today that one type of account is best for you but as your life and employment situations change you will want to review what you have established and determine if changes are needed.

There are two basic types of retirement accounts: Individual Retirement Arrangement (more commonly known as an Individual Retirement Account) and the employer retirement plan.

### Individual Retirement Arrangement (IRA)

**Instructor Note:** Click to reveal Individual Retirement Arrangement (IRA) bullet.

**Say:** An IRA can be started and must be held by an individual. You can open an IRA at a bank, credit union, or investment/brokerage firm. An IRA is entirely funded by individuals rather than employers. You must have earned income to make a contribution to an IRA.

**Instructor Note:** Click again to reveal Employer Retirement Plan bullet.



### Employer Retirement Plans

**Say:** Employer plans are offered through employers, such as 401(k)s for civilian employers and Thrift Savings Plans (TSP) for the Government. While investment choices within these plans can vary significantly from one plan to another, they all provide a basic range of investment types.

- Employers may contribute to an employee's account; match employee's contribution dollar for dollar up to a specific percentage
- If a person has a 401(k) with an employer and leaves the company, the 401(k) can usually be moved into an IRA or another 401(k) with the new company to continue investing for retirement



Slide 13

### Key Concepts

**Instructor Note:** Display slide 13. Generally, an individual will incur a penalty if they withdraw funds from a retirement account before age 59½ but there are exceptions.

**Say:** There are some concepts we need to understand when talking about retirement accounts: IRS rules for contribution limits and withdrawals, and how contributions and withdrawals are treated for tax purposes.

#### Contribution Limits

- IRS limits amount that can be contributed to account each year
- Catch-up contributions are allowed if person is age 50 or older

#### Taxes

- Depending on type of account and when withdrawals are taken, contributions can be made with pre-tax or post-tax dollars
- Withdrawals can be taxable or tax free depending on account type and when taken

#### Withdrawals

- Once turn age 59½ (55 in some cases), can start withdrawing funds without a penalty
- IRS may require take minimum distributions at age 72, depending on account type

**Say:** Vesting is a term we need to understand when talking about employer retirement plans.

According to the IRS, vesting in a retirement plan means ownership. This means that each employee will vest, or own, a certain percentage of their account in the plan each year. An employee is always 100% vested in their own contributions and earnings. The employer cannot forfeit, or take it back, for any reason. The

amount of the employer's contributions that an employee is vested in typically increases each year, with the employee being fully vested after five years of employment.



Slide 14

### Traditional IRA

**Instructor Note:** Display slide 14. The slide has animations. Click two times to reveal additional bullets.

**Say:** There are two types of IRAs: Traditional and Roth. Let's start with the traditional and look at it in terms of annual contributions and withdrawals.

#### Annual Contributions

- IRS sets limit on annual contributions
- Made on pre-tax or post-tax basis
- At age 50, can make catch-up contributions up to IRS limit

#### Withdrawals

- Earnings and dollars contributed on pretax basis are subject to tax
- Early withdrawals (before age 59½) may be subject to 10% federal penalty
- IRS requires minimum distributions beginning at age 72

**Instructor Note:** Caution learners that if they want to start withdrawals before retirement, it would be wise for them to consult with a financial professional, so that they fully understand the ramifications of starting withdrawals early. Learners should be aware that they may pay a high price in retirement for the loss of compounding on funds withdrawn early.



Slide 15

### Roth IRA

**Instructor Note:** Display slide 15. The slide has animations. Click three times to reveal additional bullets. Explain how a Roth IRA is different from the Traditional IRA.

**Say:** The Roth IRA has some similarities with the Traditional IRA, but the Roth also has some distinct differences, specifically in how the IRS treats contributions and withdrawals.

#### Annual Contributions

- IRS sets limit on annual contributions
- Made on post-tax basis
- If use Traditional and Roth IRAs, total combined contributions cannot exceed IRS limit
- At age 50, can make catch-up contributions up to IRS limit

### Withdrawals

- Qualified withdrawals are tax-free (earnings grow tax-free)
  - If it has been at least five years since beginning of year account was first set up and contributed to
- Early withdrawals (prior to age 59½) of earnings may be subject to 10% federal penalty and ordinary income taxes
- NO IRS required minimum distributions



Slide 16

### 401(k)

**Instructor Note:** Display slide 16. The slide has animations. Click three times to reveal additional bullets.

**Say:** 401(k) plans are retirement plans to which employees can make contributions from their salary on a pre-tax or post-tax basis. These plans are classified as “defined contribution plans” because the amount contributed is defined by the employee. Employers may make matching contributions to an eligible employee’s 401(k) account, usually up to specific percentage of the employee’s contribution.

### Annual Contributions

- IRS sets limit on annual contributions
- Contributions not mandatory; employee controls amount up to annual IRS limit
- Made on pre-tax or post-tax basis
  - Employer may allow Roth 401(k)
- At age 50, can make catch-up contributions up to IRS limit

### Withdrawals

#### Traditional 401(k)

- Earnings and dollars contributed on pretax basis are subject to tax when withdrawn
- Withdrawals before age 59½ may be subject to 10% federal penalty
- IRS requires minimum distributions beginning at age 72

#### Roth 401(k)

- Qualified withdrawals are tax-free (earnings grow tax-free)
- If it has been at least five years since beginning of year account was first set up and contributed to
- Early withdrawals (prior to age 59½) of earnings may be subject to 10% federal penalty and ordinary income taxes
- IRS requires minimum distributions beginning at age 72



Slide 17



### Thrift Savings Plan (TSP)

**Instructor Note:** Display slide 17. The slide has animations. Click three times to reveal additional bullets. Distribute the *Thrift Savings Plan: Wealth-Building Made Easy* handout.

**Say:** For federal employees and Service members the Thrift Savings Plan (TSP) account has the same type of savings and tax benefits as a 401(k).

#### Annual Contributions

- IRS sets limit on annual contributions
- Can set up as a Traditional and/or Roth account
  - Pre-tax (Traditional)—contributions and earnings are taxed when distributed in retirement
  - Post-tax (Roth)—contributions are post-tax; pay no tax on earnings
- 1% Service Automatic Contribution
  - Always deposited into Service member's Traditional TSP account

#### Vesting

- Any voluntary contributions are always yours to keep.
- For individuals who have served for two years or more, they are fully vested in TSP. Fully vested means two things:
  - You get to keep the 1% Service Automatic Contributions that have been made to your account.
  - You are eligible to receive matching service contributions up to 4% (for a total of 5% when combined with 1% Service Automatic contributions) of basic pay.
    - Matching contributions deposited into Service member's Traditional TSP account

#### Withdrawals

##### Traditional TSP

- Earnings and dollars contributed on pretax basis are subject to tax when withdrawn
- Withdrawals before age 59½ may be subject to 10% federal penalty
- IRS requires minimum distributions beginning at age 72

##### Roth TSP

- Qualified withdrawals are tax-free (earnings grow tax-free)
  - If it has been at least five years since beginning of year account was first set up and contributed to
- Early withdrawals (prior to age 59½) of earnings may be subject to 10% federal penalty and ordinary income taxes
- IRS requires minimum distributions beginning at age 72

**Say:** Service members can keep their TSP account when they leave the military. If after leaving military service you accumulate money in several employer-sponsored 401(k) retirement plans or fund an IRA, you may be able to roll these different accounts into your TSP.

While you can also roll TSP balances into other 401(k) accounts, the TSP has very low fees that make it an attractive option to roll over funds.

Consulting with a financial professional can help you make the best decision for your situation.



Slide 18

### 4. Resources

**Instructor Note:** Display slide 18.

**Say:** In this final section we will look at some of the free resources that available to help you navigate the saving and investing process.



Slide 19

### Websites

**Preparation:** Familiarize yourself with the websites.

- Military OneSource – Retirement Planning resources  
[www.militaryonesource.mil/financial-legal/personal-finance/retirement-planning/](http://www.militaryonesource.mil/financial-legal/personal-finance/retirement-planning/)
- Consumer Financial Protection Bureau (CFPB) – Planning for Retirement  
[www.consumerfinance.gov/consumer-tools/retirement/](http://www.consumerfinance.gov/consumer-tools/retirement/)
- Office of Financial Readiness (FINRED) – Saving and Investing resources  
[finred.usalearning.gov/Saving](http://finred.usalearning.gov/Saving)
- Thrift Savings Plan  
[www.tsp.gov/](http://www.tsp.gov/)

**Instructor Note:** Display slide 19. This slide uses animations. Click one time to reveal the additional bullet and image.

**Say:** Two websites that contain a wealth of information related to retirement planning that can help you make decisions to meet your saving and investing goals are Military OneSource and Consumer Financial Protection Bureau (CFPB).



Slide 20

**Instructor Note:** Display slide 20. The slide uses animations and two hyperlinks. Click one to reveal the additional bullet and image. If you have an internet connection, click the links and show learners where they can learn more about savings and investing on the websites.



Slide 21

### Financial Calculators

**Preparation:** Familiarize yourself with the calculators on the website:

- Savings Goal Calculator  
[www.investor.gov/financial-tools-calculators/calculators/savings-goal-calculator](http://www.investor.gov/financial-tools-calculators/calculators/savings-goal-calculator)
- Compound Interest Calculator  
[www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator](http://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator)

**Instructor Note:** Display slide 21. This slide contains two hyperlinks.

**Say:** There are many financial calculators available on the internet. Let's look at one on the Investor.gov website.

**Instructor Note:** If you have an internet connection, show learners how to use the Savings Goal Calculator to determine how much money someone would need to invest each month to reach a specific savings goal. Start with \$1 million for the savings goal and work backward.

You can use the current rate of return for the TSP C Fund, G Fund, I Fund, or S Fund to get a sense of the range of returns for when the values are the same for:

- Initial Investment
- Monthly Contribution
- Length of Time in Years
- Estimated Interest Rate
- Compound Frequency

If time permits, show learners the Compound Interest Calculator and how they can use the tool to see how their investment will grow based on compound interest. You can use the current rate of return for the TSP C Fund, G Fund, I Fund, or S Fund.



Slide 22

### Additional Support Resources

**Instructor Note:** Display slide 22. This slide uses animations and two hyperlinks. Click six times to reveal the bullets and links. If you have an internet connection, click the links to show where on the web pages learners can locate personal financial professionals.

**Say:** If you would like to learn more about saving and investing options, consider talking to a financial professional. There are two types of professions available to you at no cost: Personal Financial Manager (PFM) and Personal Financial Counselor (PFC).

These individuals have a degree and are nationally certified. They can provide you with personal financial counseling and financial education and training, like the session today.

- To find a **PFM** at your nearest installation visit the Military OneSource website.
- To find a **PFC** check out the PFC locator map on the Office of Financial Readiness website. These individuals are available 24/7, 365 days a year.



Slide 23

### 5. Conclusion

#### Summary and Review

**Instructor Note:** Display slide 23. At the beginning of the session if you asked learners to write down one thing, they hoped to learn from attending the training today, ask them if they learned what they had hoped they would, and if not to share with the group what they wrote down.

Provide a short answer or explanation to what learner's shared and invite them to make an appointment with a personal financial counselor to learn more.



Slide 24

### Final Questions

**Instructor Note:** Display slide 24.

**Ask:** Does anyone have any final questions about the topics we covered today?

- Saving and Investing Fundamentals
- Investment Accounts
- Resources

Thank everyone for participating in the discussions and sharing their ideas!